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RUEHUL/AMEMBASSY SEOUL 7584
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RUEHCN/AMCONSUL CHENGDU 1025
RUEHGZ/AMCONSUL GUANGZHOU 8942
RUEHHK/AMCONSUL HONG KONG 5805
RUESLE/AMCONSUL SHANGHAI 8345
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RUEAIIA/CIA WASHDC
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 000325

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E.O. 12958: DECL: 01/27/2016

TAGS: PGOV TW

SUBJECT: PRESIDENT CHEN RECONSOLIDATES HIS POWER

Classified By: AIT Acting Director David J. Keegan,
Reasons: 1.4 (B/D)

¶1. (C) Summary: President Chen, who appears to have regained confidence in recent days, has taken important steps toward reconsolidating his power with the appointment of the new cabinet led by Premier Su Tseng-chang and the installation of the new Democratic Progressive Party (DPP) Chairman Yu Shyi-kun. Su and Yu are both close to Chen and will support rather than challenge the president's policies, including policies laid out in Chen's tough New Year address. However, the new cabinet, implementers and not counselors, will face the same problem that has beleaguered previous Chen cabinets: the difficulty of trying to govern when the president reserves the right to change the agenda and the pan-Blue controls the legislature. End Summary.

¶2. (SBU) The new cabinet led by Premier Su Tseng-chang and the new appointees to the presidential office were sworn in by President Chen on January 25. On January 26, the DPP held a ceremony to transfer power from acting chair Vice President Lu Hsiu-lien to new Chairman Yu Shyi-kun and his new staff. The festivities were dampened slightly by the fact that Lin I-hsiung, a highly-respected former DPP Chairman and one of the party's leading founders, announced on January 24 his withdrawal from the DPP, citing the highly contentious atmosphere now surrounding party politics in Taiwan.

¶3. (C) Recent high-level personnel changes are part of the efforts by Chen to reconsolidate his power following the major setback in December 3 local elections, which was blamed on corruption scandals involving his close advisors and poor government performance. After the elections, Chen retreated into a month-long period of reflection. His approval ratings plummeted to record lows and even within the DPP Chen encountered strong and growing criticism. One common complaint leveled against Chen by pan-Green supporters was that the government had done little to implement the pan-Green reform agenda. On January 1 Chen emerged from his long period of reflection and delivered a major policy address that was unexpectedly confrontational toward the pan-Blue opposition and China.

¶4. (C) Beginning with the New Year address, Chen shifted the blame for poor government performance from himself to Premier Frank Hsieh. Chen declared that Hsieh's policy of "harmony

"and coexistence" with the pan-Blue opposition, which controlled the Legislative Yuan (LY), was a failure. In Chen's view, because the pan-Blue had not cooperated, the government had ended up with neither reform achievements nor the results of hoped-for cooperation. In addition, Chen seemed to blame Hsieh for not doing enough to limit the activities of Taiwan investors in the Mainland. Chen's tough New Year address and other statements undercut Hsieh, making a cabinet change inevitable.

¶ 15. (C) In selecting his fifth cabinet since taking office in 2000, Chen has tried to solidify his control over the entire policy process. Beginning with Premier Su, Chen has sought familiar loyalists whom he hopes will take a forceful approach to putting his policies into practice. Chen has made no effort to appoint to high positions anyone who might provide fresh or alternative advice on major issues. Premier Su has said that the cabinet's role is to implement the policies laid out in the president's tough New Year address and he has also stressed that the government must produce results if the party is to have a chance in the 2008 presidential election.

¶ 16. (SBU) Former presidential office secretary general Yu Shyi-kun's taking office as DPP chairman also solidifies President Chen's power because Yu is close to Chen and will work to support the president. During the turnover ceremony, Yu reiterated his call for mutual consultation and collective decision making between government and party, which if put into practice, may mean a closer relationship between the presidential office and party headquarters. During the ceremony, President Chen again urged Yu to convene an internal DPP debate on the party's political line and its China policy, aimed at resolving current differences and

TAIPEI 00000325 002 OF 002

producing a new consensus. Chen also urged Yu to try to persuade Lin I-hsiung to stay in the DPP.

Comment

¶ 17. (C) Lin's departure from the DPP has been expected for some time and should not have much long-term effect on the party. Although Lin is a powerful symbol, he has not been very active in politics for some time with the exception of the recent DPP chairman election and he does not have his own support base in the party. Although Lin cited the general political atmosphere in his statement on withdrawing from the DPP, it is clear to all observers that he blames Chen Shui-bian and Chen's closest advisors for the party's current problems.

¶ 18. (C) Su will face the same problem that all of Chen's previous cabinets have faced, an LY controlled by the pan-Blue opposition and a president who reserves the right to change course without warning. Although President Chen's confrontational New Year address suggests that the new cabinet is designed to take a tougher line with the pan-Blue opposition, in fact the cabinet will need LY cooperation to gain access to major funds frozen by the LY and to pass legislation on important issues such as on arms procurement. While Su and Tsai Ing-wen are quite competent, the LY dynamics and Chen's new hard-line approach make the chances for success slim.

SHELLSMITH